



Foreign Agricultural Service

**GAIN Report**

Global Agriculture Information Network

Voluntary Report - public distribution

Date: 7/25/2003

GAIN Report #IN3065

## **India**

## **Grain and Feed**

## **August Update**

## **2003**

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### **Report Highlights:**

**Post revises 2003/04 rice production forecast upward to 90 million tons. While the rice export outlook appears cheerless, the wheat export prospect has improved.**

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Includes PSD changes: Yes  
Includes Trade Matrix: No  
Unscheduled Report  
New Delhi [IN1], IN

## **Timely Monsoon Aids 2003/04 Rice Planting**

Post revises its 2003/04 rice production forecast upward to 90 million tons, assuming continued good precipitation through September. The southwest monsoon, which is critical to the development of the *kharif* (fall/early winter harvested) rice crop, has progressed on schedule and covered the entire country by July 5 despite its late arrival. Most rice growing regions have received normal or above normal rains, thereby aiding planting operations. Although early reports point to a marginal decline in planted area, planting is expected to pick up and exceed last year's level, following the above mentioned improvement in the rainfall situation.

## **2002/03 Rice Production Revised Downward**

The Directorate of Economics & Statistics, Ministry of Agriculture, recently revised the 2002/03 rice production downward to 75.7 million tons from its earlier estimate of 76.9 million tons. This is the lowest rice production since 1992/93. Most of the decline was in the *rabi* (spring harvested) crop, which is now estimated at 9.2 million tons compared with 13.3 million tons in 2001/02. The drought-hit state of Andhra Pradesh accounted for most of the shortfall.

## **Rice Procurement Likely to be Higher ...**

Government procurement of rice in MY 2003/04 is expected to exceed this year's four-year low of 16 million tons, due to likely higher production in major surplus states like Punjab, Haryana, and Andhra Pradesh. These states typically account for 80 percent of the government's total rice procurement. Most of the decline in the MY 2002/03 procurement was in Andhra Pradesh, following a drastic decline in production. The government has not yet announced the support price for paddy (unmilled rice) for the 2003/04 marketing year, although the Agriculture Ministry has recommended maintaining the support level at last year's rs. 5,500 (\$120) per ton for common varieties and rs. 5,800 (\$126) per ton for Grade A (which included a "one-time" special drought relief of rs. 200 per ton).

## **... but Stocks Down**

Government rice stocks on June 1, 2003, were officially placed at 13.2 million tons, 44 percent below the year-ago level of 23.4 million tons. They are projected at 7 million tons on October 1, the lowest level in ten years, and close to the government's desired minimum buffer stock level of 6.5 million tons. The steep decline in stocks is due to lower procurement, increased exports, and higher domestic distribution for drought relief operations. During IFY 2002/03 (Apr-Mar), the government distributed 24.6 million tons of rice, including 6.9 million tons for exports, compared with 15.3 million tons in 2001/02. However, the stock situation is likely to improve when the government starts procurement operations in October.

## **Rice Export Outlook Cheerless**

Shipping data indicate that rice exports from January to June 2003 totaled around 2.4 million tons; CY 2003 exports are projected at 4 million tons, compared with 6.7 million tons in CY 2002. Post continues to forecast CY 2004 exports at 3.0 million tons. Despite an improved

production and procurement outlook, the government is likely to remain more conservative in allocating rice for exports because of the low stocks. In an attempt to restrict exports and contain subsidies, the government has revised the sales price of rice for exports upward by more than 10 percent for the July-September quarter. This makes the FOB price of Indian 25 percent broken rice around \$170 per metric ton, well above the reported Vietnamese price of \$160 for similar rice. However, exporters who have already deposited money with the Food Corporation of India for their export commitments, estimated at around 1 million tons, will continue to receive rice at the old rate until the end of July.

### **Government Revises Wheat Production Estimate Down**

The government recently revised the 2003 wheat production estimate down to 69.3 million tons from its earlier estimate of 70.3 million tons. Post expects further downward revisions, as reports received from various states point to a production figure of around 67 million tons. The 3.2 million ton decline in estimated government wheat procurement to 15.8 million tons in MY 2003/04, from the previous year's level of 19.0 million tons, further supports Post's estimate.

### **Wheat Stocks Decline...**

Government wheat stocks on June 1 are estimated at 26.6 million tons, compared with a record 41.3 million tons a year ago. The decline in stocks was the result of a significant drop in procurement, coupled with increased offtake for domestic distribution and exports. During MY 2002/03 (Apr-Mar), wheat offtake from government stocks is estimated at around 25 million tons, including 5.5 million tons for export, compared with 16 million tons in MY 2001/02, including 2.7 million tons for export.

### **...as Export Prospects Improve**

Post forecasts 2003/04 exports at 3.5 million tons, up from the earlier forecast of 3 million tons. However, much will depend on the price competitiveness of Indian wheat vis-a-vis other competitive suppliers. Based on shipment data compiled from private sources, 2002/03 (July-June) exports are revised upward to 5.5 million tons.

The initial pessimism among government and trade circles regarding wheat export prospects for 2003/04 is slowly giving way to guarded optimism in view of this year's normal monsoon. Although government stocks are down significantly, they are still some 75 percent above the government's required July 1 minimum buffer stock level of 14.3 million tons. Furthermore, the domestic wheat offtake this year is likely to be much lower than last year's drought-generated record. This would also ease the pressure on railways having to move wheat for exports.

### **Corn Production Outlook Improves**

Excellent rains in major corn growing regions, combined with high corn prices, have resulted in increased corn planting. Post forecast 2003/04 corn production at 13 million tons, compared with the revised 2002/03 government estimate of 11.1 million tons.

**Corn TRQ Application Date Extended**

The Director General of Foreign Trade, Ministry of Commerce, issued a Public Notice (No. 16/2002-2007) on July 10, extending the application date for the corn TRQ for IFY 2003/04 (Apr-Mar) to August 29, 2003. A copy of the Notice, which also applies to other items, can be accessed at <http://dgft.delhi.nic.in>, by clicking on Public Notice, and selecting Public Notice No. 16. Although one of the obstacles to corn imports has thereby been removed, the in-quota tariff rate of 15 percent continues to make imports infeasible at existing prices. Consequently, corn imports in MY 2002/03 and MY 2003/04 remain unlikely.

**Table 1: Government Procurement, Stocks and Off take of Wheat (year ago)**  
(million metric tons)

	<b>Stocks</b>	<b>Procurement Cumulative</b>	<b>Imports</b>	<b>Off take *</b>
<b>Jun 1</b>	41.3 (37.6)			1.6 (0.8)
<b>Jul 1</b>	41.1 (37.5)			1.5 (0.7)
<b>Aug 1</b>	39.7 (38.7)			2.4 (0.8)
<b>Sep 1</b>	37.9 (37.9)			2.2 (1.2)
<b>Oct 1</b>	35.6 (36.8)			2.3 (1.4)
<b>Nov 1</b>	33.1 (35.8)			1.7 (1.6)
<b>Dec 1</b>	31.3 (34.0)			2.4 (1.6)
<b>Jan 1, 2003</b>	28.8 (32.4)			2.4 (2.0)
<b>Feb 1</b>	21.3 (30.2)#			2.7 (1.9)
<b>Mar 1</b>	18.6 (28.5)	19.0 (20.6) 1/		2.9 (1.7)
<b>Apr 1</b>	15.7 (26.0)			1.6 (1.1)
<b>May 1</b>	26.0 (38.1)			1.9 (1.3)
<b>June 1</b>	26.6 (41.3)	15.8 (19.0) 2/		

**\* Includes exports**

1/ Cumulative procurement April 1, 2002 - March 31, 2003

2/ Cumulative procurement April 1, 2003 to June 30, 2003

# The sharp decline in stocks is attributed to "accounting errors"

**Table 2: Government Procurement, Stocks and Off take of Rice (year ago)**  
(million metric tons)

	<b>Stocks</b>	<b>Procurement Cumulative</b>	<b>Imports</b>	<b>Off take *</b>
<b>Apr 1, 2002</b>	24.9 (23.2)			1.7 (0.7)
<b>May 1</b>	24.5 (22.9)			2.4 (0.9)
<b>Jun 1</b>	23.4 (22.9)			2.4 (0.8)
<b>Jul 1</b>	21.9 (22.7)			2.1 (0.9)
<b>Aug 1</b>	20.1 (22.2)			2.5 (1.1)
<b>Sep 1</b>	17.5 (21.6)	21.3 (19.6) 1/		1.9 (1.5)
<b>Oct 1</b>	15.8 (21.5)			2.0 (1.1)
<b>Nov 1</b>	20.5 (26.5)			1.6 (1.2)
<b>Dec 1</b>	20.3 (25.1)			1.8 (1.3)
<b>Jan 1, 2003</b>	19.4 (25.6)			1.8 (1.8)
<b>Feb 1</b>	18.8 (26.1)			1.8 (1.6)
<b>Mar 1</b>	17.6 (26.0)			2.4 (2.3)
<b>Apr 1</b>	17.2 (24.9)			1.6 (1.7)
<b>May 1</b>	15.3 (24.5)			2.4 (2.4)
<b>Jun 1</b>	13.2 (23.4)	16.0 (21.3) 2/		

**\* Includes exports**

1/ Cumulative procurement: October 1, 2001 - September 30, 2002

2/ Cumulative procurement: October 1, 2002 - July 7, 2003

**Table 3: Commodity, Rice Milled, PSD**

PSD Table							
Country:	India						
Commodity:	Rice, Milled						
		2001		2002		2003	UOM
	Old	New	Old	New	Old	New	
Market Year Begin		10/2001		10/2002		10/2003	(MONTH/ YEAR)
Area Harvested	44,600	44,600	40,000	40,000	45,000	44,000	(1000 Hectares)
Beginning Stocks	25,051	25,051	24,480	24,480	13,340	13,250	(1000 MT)
Milled Production	93,080	93,080	77,000	75,700	91,000	90,000	(1000 MT)
Rough Production	139,634	139,634	115,512	113,561	136,514	135,014	(1000 MT)
Milling Rate(.9999)	6,666	6,666	6,666	6,666	6,666	6,666	(1000 MT)
TOTAL Imports	0	0	0	0	0	0	(1000 MT)
Jan-Dec Imports	0	0	0	0	0	0	(1000 MT)
Jan-Dec Import U.S.	0	0	0	0	0	0	(1000 MT)
TOTAL SUPPLY	118,131	118,131	101,480	100,180	104,340	103,250	(1000 MT)
TOTAL Exports	6,300	6,300	4,250	4,250	3,250	3,000	(1000 MT)
Jan-Dec Exports	6,650	6,650	4,000	4,000	3,500	3,000	(1000 MT)
TOTAL Dom. Consumption	87,351	87,351	83,890	82,680	85,250	85,250	(1000 MT)
Ending Stocks	24,480	24,480	13,340	13,250	15,840	15,000	(1000 MT)
TOTAL DISTRIBUTION	118,131	118,131	101,480	100,180	104,340	103,250	(1000 MT)

**Table 4: Commodity, Wheat, PSD**

PSD Table							
Country:	India						
Commodity:	Wheat						
		2001		2002		2003	UOM
	Old	New	Old	New	Old	New	
Market Year Begin		04/2001		04/2002		04/2003	(MONTH/ YEAR)
Area Harvested	25,700	25,700	25,900	25,900	25,000	25,000	(1000 Hectares)
Beginning Stocks	21,500	21,500	23,925	23,925	17,960	17,000	(1000 MT)
Production	69,680	69,680	71,810	71,810	67,000	67,000	(1000 MT)
TOTAL Mkt. Yr. Imports	32	32	25	25	50	20	(1000 MT)
Jul-Jun Imports	33	33	25	25	50	20	(1000 MT)
Jul-Jun Import U.S.	23	23	0	0	0	0	(1000 MT)
TOTAL SUPPLY	91,212	91,212	95,760	95,760	85,010	84,020	(1000 MT)
TOTAL Mkt. Yr. Exports	3,087	3,087	4,500	5,200	2,000	3,500	(1000 MT)
Jul-Jun Exports	3,234	3,234	5,000	5,500	2,000	3,500	(1000 MT)
Feed Dom. Consumption	500	500	600	600	600	600	(1000 MT)
TOTAL Dom. Consumption	64,200	64,200	73,300	73,560	69,000	67,520	(1000 MT)
Ending Stocks	23,925	23,925	17,960	17,000	14,010	13,000	(1000 MT)
TOTAL DISTRIBUTION	91,212	91,212	95,760	95,760	85,010	84,020	(1000 MT)

**Table 5: Commodity, Corn, PSD**

PSD Table							
Country:	India						
Commodity:	Corn						
		2001		2002		2003	UOM
	Old	New	Old	New	Old	New	
Market Year Begin		11/2001		11/2002		11/2003	(MONTH/ YEAR)
Area Harvested	6,870	6,870	6,200	6,300	6,200	6,900	(1000 Hectares)
Beginning Stocks	726	726	1,162	1,162	82	100	(1000 MT)
Production	13,510	13,510	10,570	11,110	11,000	13,000	(1000 MT)
TOTAL Mkt. Yr. Imports	1	1	0	0	0	0	(1000 MT)
Oct-Sep Imports	1	1	0	0	0	0	(1000 MT)
Oct-Sep Import U.S.	0	0	0	0	0	0	(1000 MT)
TOTAL SUPPLY	14,237	14,237	11,732	12,272	11,082	13,100	(1000 MT)
TOTAL Mkt. Yr. Exports	25	25	50	10	25	25	(1000 MT)
Oct-Sep Exports	25	25	50	10	25	25	(1000 MT)
Feed Dom. Consumption	6,300	6,300	4,800	5,000	4,200	6,000	(1000 MT)
TOTAL Dom. Consumption	13,050	13,050	11,600	12,162	11,000	12,575	(1000 MT)
Ending Stocks	1,162	1,162	82	100	57	500	(1000 MT)
TOTAL DISTRIBUTION	14,237	14,237	11,732	12,272	11,082	13,100	(1000 MT)